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CAR AND LIGHT TRUCK FLEET AND LEASING MANAGEMENT MAGAZINE

AF Survey: Option Packaging Vs. Free-Flow Selection

NAFA/AFLA/AALA Report Top Dealer Awards

1991 Buick Park Avenue

Limited Or Broad Selector?
Future Of Alternate Fuels
Fleet Truck Issues
Provided vs. Reimbursed

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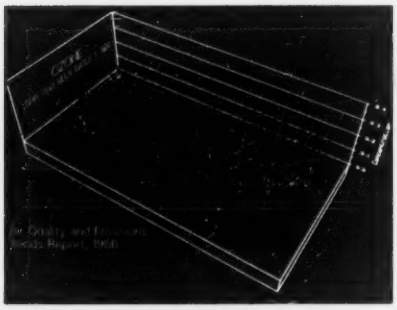
CAR AND LIGHT TRUCK FLEET AND LEASING MANAGEMENT MAGAZINE

June 1990
VOL. 29, NO.8

Influencing the management of 4,952,000 cars and 2,070,000 light trucks and vans in business, leasing, rental, utility, government, police and taxi fleets.



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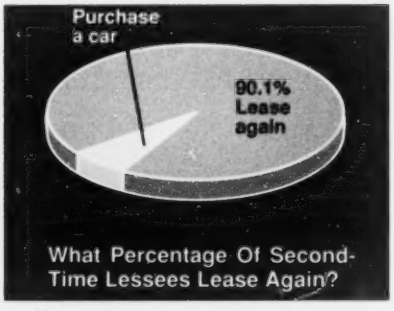

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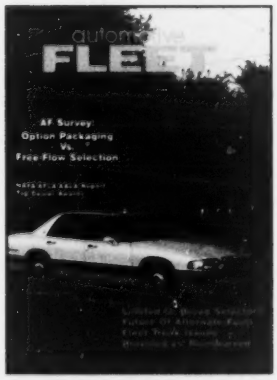

On the cover: (left to right) Buick's Marc Smith, manager, fleet sales-East, George Benjamin, manager, fleet sales-West, and Dick Beecher, director, fleet sales, stand beside the new 1991 Buick Park Avenue. For a preview, see page 42.

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Option Packaging vs. Free-Flow

Option packaging continues to be a hot topic of debate among fleet managers. To find out what the chief complaints are about packaging, Automotive Fleet *recently conducted a survey of the Top 200 largest fleets.*

Why does option packaging — versus free flow — continue to be such a topic of debate within the fleet industry? To answer this question, *Automotive Fleet* recently conducted a survey of the Top 200 largest fleets in America, asking them five questions designed to get to the heart of the packaging issue. (See Chart 1.) The survey struck a nerve – as indicated by the unusually-high 51 percent response rate.

The first interesting fact revealed by the survey is that fleets simply don't like packages. More than 86 percent of the respondents prefer free flow options over packages.

That is a very significant number, especially since packages have been around long enough to gain greater acceptance, and also in view of the fact that manufacturers do allow fleets some latitude in deviating from option packages.

The survey substantiates the perception that fleets don't like option packaging because:

1. It forces them to buy more equipment than they really want;

2. It drives up the acquisition cost of their cars and trucks, and these higher costs are not recouped at resale time,

3. And it impacts fleet policies that allow drivers to purchase cer-

Automotive Fleet Option Survey: Questions And Responses

1. Do the manufacturers allow you to deviate from option packaging in your ordering process?

Yes: 42% No: 58%

2. Given your choice, would you prefer free flow ordering as opposed to option packaging?

Yes: 85% No: 15%

3. Does your company vehicle selector program allow your drivers to select either free-flow options and/or option packages at their expense?

Yes: 54% No: 46%

4. Does option packaging cause you to order more or less of the following? **(See chart below Question 5.)**

5. If the following were available through free-flow selection, would you order more, or less, of the following options? **(See chart below)**

OPTION	Question 4		Question 5	
	More	Less	More	Less
Tilt Wheel	83.3	16.7	59.3	40.7
Cruise Control	84.4	15.6	68.5	31.5
Power Door Locks	66.7	33.3	54.7	45.3
Power Windows	62.3	37.7	36.1	63.9
Power Seats	50.0	50.0	41.5	58.5
Pulse Wipers	78.7	21.3	56.0	44.0
AM/FM Stereo Cassette	71.9	28.1	49.0	51.0
Electronic Digital Instrumentation	26.7	73.3	29.5	70.5
Airbags	33.3	66.7	54.3	45.7
Anti-lock Braking System	25.0	75.0	53.3	46.7
Speed-sensitive Steering	14.3	85.7	28.6	71.4
Anti-theft Systems	14.0	86.0	33.3	66.7
Vehicle Maintenance Monitor	15.4	84.6	29.5	70.5

Chart 1.

tain options at their own expense.

Fleets have been slow to accept the manufacturers' rationale for converting from free flow options to packages. The reasons given by the manufacturers is that packaging reduces the number of buildable combinations for a given model vehicle – from trillions in the case of a typical intermediate model–to only about 10,000. And this simplification of the build process is supposed to yield such benefits as:

- Reduced cost. (Simplification reduces the amount of parts inventory manufacturers must carry, facilitates just-in-time inventory, and reduces loss and damage.)
- Improved quality. (Simplification allows more streamlined assembly with fewer exceptions and likelihood of error.)
- Improved value since packages give more content at lower cost.

Perhaps the reason that packaging remains such a hot issue is the perception that fleets (and other buyers) are not, in fact, receiving the promised benefits of packaging. That is, fleets aren't convinced that they share in the benefits of reduced production costs, and disagree that packages provide more content at lesser cost. To end the controversy, manufacturers need to convince fleets – through facts and hard data —that the advantages of the packaging approach benefit all end-users.

Let's look again at the resistance fleets have to the practice of packaging. There seem to be three fundamental concerns:

- Do packages in fact cause fleets to buy more equipment than they actually want?
- Do packages result in savings (lower capitalized costs) or do they actually increase capitalized costs?
- Do packages actually increase value with higher quality/dependability, higher resale, and consequently, lower holding costs?

Ultimately, all of these questions boil down to one common complaint — and it has to do with the question of value; the additional options contained in packages become an issue only if the higher acquisition cost is not offset by higher resale — resulting in lower overall holding costs.

Previous articles in *Automotive Fleet* have dealt with whether packages force more equipment on the buyer, and whether costs are higher for items purchased in packages or as free flow options. Perhaps it's too early to prove whether resale value is sufficiently increased to offset upfront acquisitions costs, but the initial evidence would seem to argue that it does not. No doubt about it, the perception is that packages force buyers to order more equipment than they want. However, that doesn't mean they always select a package in order to get what they want. It depends on the piece of equipment. The following are examples of packaged equipment which the majority of fleets will "tolerate," meaning they buy these items even though they are in a package:

Options Purchased Despite Other Equipment

Tilt wheel	83.3%
Cruise control	84.4%
Power door locks	66.7%
Power windows	62.3%
Power seats	50.0%
Pulse wipers	78.7%
AM/FM stereo with cassette	71.9%

Chart 2.

It's worth noting that three items —power windows, power seats, and stereo with cassette — would be purchased less often if available as free flow, according to a majority of the respondents.

It is important to note that the *Automotive Fleet* survey excluded drivers. Most companies (54 percent of those responding) allow drivers to order extra equipment at driver expense. What is not clear is how often drivers don't purchase an option because it is packaged with other undesired items which they are unwilling to pay for. Manufacturers could be losing some sales here, too.

On the other hand, fleets draw the line on certain options, the majority saying they do not purchase the options listed below because they are part of a package (i.e., they won't opt for the package just to get these items).

Won't Buy Because Of Other Equipment In An Option Package

Electronic digital instrumentation	73.3%
Airbags	66.7%
Anti-lock brakes (ABS)	75.0%
Speed-sensitive steering	85.7%
Anti-theft systems	86.0%
Vehicle maintenance monitor	84.6%

Chart 3.

Of this group, only airbags and anti-lock brakes would be purchased more often by the majority of survey respondents if they were available as free-flow options.

The lack of enthusiasm for this group of options is presumably due to cost. Interestingly, a recent University of Michigan Delphi Forecast reported that in order to achieve 25 percent market penetration, the buying public would pay the following maximum prices for certain high tech features:

Price Forecast

Highest price that consumers would pay for advanced automotive features:

Feature	25% Market Penetration
Anti-lock brakes	$400
Traction control	$150
Active suspension	$300
Four-wheel steering	$250
Navigation computer	$275
Anti-collision device	$250

SOURCE: University of Michigan Delphi Forcast.

Chart 4.

Current pricing on the above options is considerably more than stated acceptable limits.

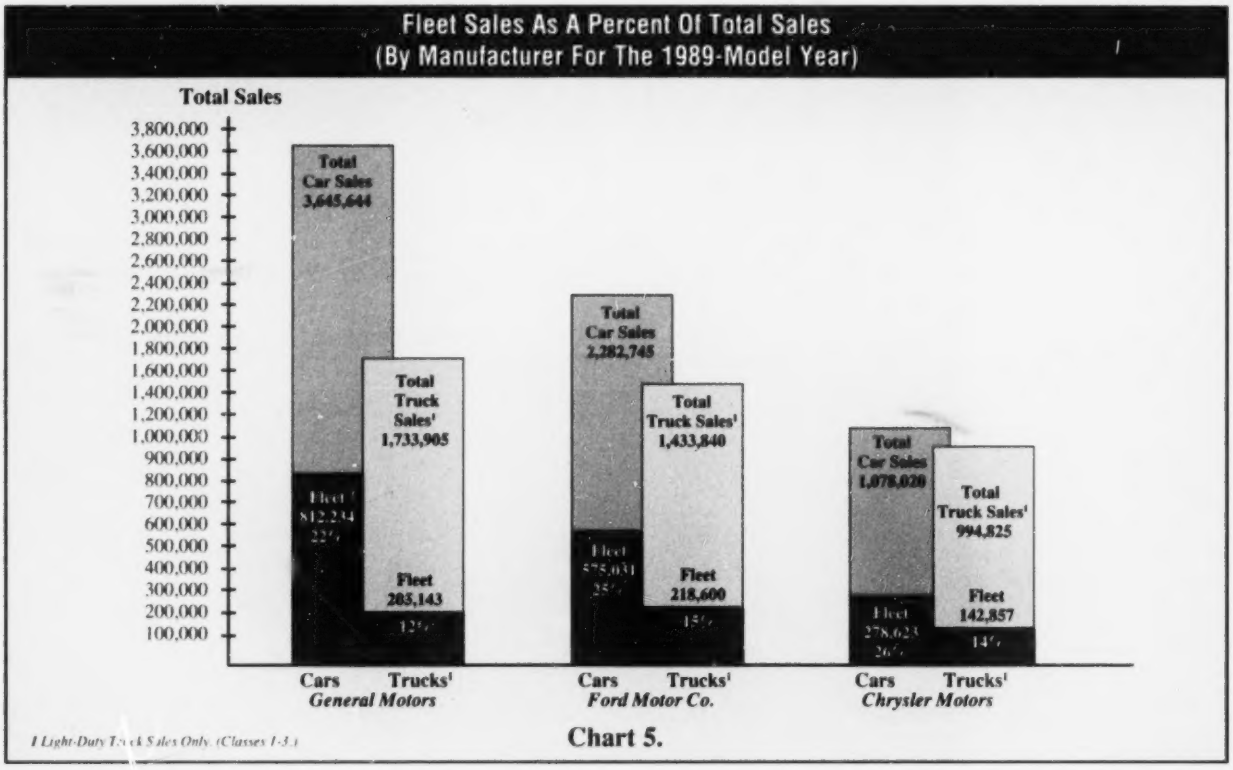


Chart 5.

Some Things To Keep In Mind

Aside from the basic rationale behind packaging, NAFA has criticized the motor companies' practice on these grounds:

1. The *content* of packages is not always reasonable. (It's difficult to understand how combining cruise control and pulse wipers with floor mats makes the assembly process any simpler, or less expensive.)

2. Package content should remain stable from year-to-year. (Are there engineering reasons—or just marketing strategies—behind the shifting content of packages? After all, if a combination simplified the build process last year, wouldn't it do the same this year – especially on carry-over models with very little change?)

3. Package pricing should be set at announcement time and remain stable throughout the model year. (Otherwise, comparisons are impossible, and worse, decisions made earlier in the year are often invalidated by changes made later in the year.)

NAFA has already published its "wish list" for free-flow options, above and beyond the basic fleet car. (See January 1990 *Automotive Fleet.*)

NAFA's point is that these extras are frequently ordered by fleets, and should be available by themselves. However, if packaging is unavoidable, then the packages must be *reasonable* combinations that will help not only the manufacturer, but fleets as well. NAFA's requests seem reasonable enough. Looming behind the request, however, is the question whether the manufacturers are willing to give greater recognition to the specific (and often unique) requirements of the commercial fleet market segment. After all, fleets account for a very significant share of each manufacturer's total production. (See Chart 5.)

Additionally, manufacturers could accommodate fleet needs by focusing on a relatively-limited number of makes and models (albeit high volume ones). Out of the more than 600 makes and models currently available to the buying public, only 130 make up the approximately 2.0 million automobiles registered to fleets each year. The standard "80/20 rule" applies accurately here: virtually 80 percent of fleet automobile sales come from only 27 percent (36 models) of the total 130 different models.

To take this point still further, almost 40 percent of all fleet automobile purchases are represented by the Top 10 models. In order to satisfy the request for free-flow "exemptions" for fleets, or even for fleet-oriented packages, therefore, manufacturers could provide significant accommodations by focusing on only a few mainline top-sellers, particularly vehicles in the compact and intermediate classes. Together, these two groups account for 63.51 percent of fleet automobile registrations. (See Chart 6 on facing page.)

Just as manufacturers might benefit from being reminded of the tremendous fleet purchasing volume, fleets might also benefit from a few reminders. While it is true the auto-

motive market consists of three, distinct segments (retail, commercial, and rental), it is also true that there is only one market for *used vehicles* from any of these segments. The retail market establishes, through the dynamics of supply and demand, the value of commercial fleets' used cars and trucks.

Since this is the case, fleets should not push too hard to achieve unique "fleet packaging" commitments from the manufacturers. From a used-car perspective, the more fleet vehicles resemble retail units the better. "Plain Jane cars simply don't sell," as many experts have said again and again on these pages. An identifiable "fleet" vehicle is a dead duck in the used-car market.

Options have to be viewed in terms of their ultimate contribution to (or detraction from) resale value. For example, a multi-valve four-cylinder engine may be a very desirable fleet option. It gets the job done and lowers operating costs. But multi-valved, turbocharged or supercharged, four-cylinders engines are not good items in the used-car market. A plain, six-cylinder engine will almost always outperform it. Hence, holding cost is actually lower by not having this option.

Chart 6.

Does this mean fleet vehicles need to be "loaded?" Not every buyer of used cars is looking for digital gauges and variable-assist steering. It is unlikely a fleet will recoup its investment in certain types of options. But the definition of "loaded" is a relative concept, and the secondary market does in fact, steadily and consistently up the ante, expecting more options on used vehicles. Secondary buyers also look for value, and the presence of some items – although not essential to fleet–may mean the difference between a quick sale at top dollar or a unit that languishes on the lot.

There are exceptions. The service life of some fleet vehicles (notably railroads, utilities, and law enforcement agencies) is so long that resale value is less of a factor. It makes sense, therefore, for these fleets to continue spec'ing their vehicles strictly to need, using functional criteria, with less regard for impact on resale. These fleets already enjoy a number of manufacturer concessions as a result of the large volumes in which they typically purchase vehicles.

For most fleets then, the truth is that their market is but a microcosm of the retail market in general. It pays, therefore, to notice what the retail market demands, and to plan accordingly. Some options are clearly gaining acceptance, and are coming to be expected on used vehicles. Many fleets recognize such trends, and the manufacturers' data shows it. Tilt wheel, for example, which was ordered on 52.2 percent of the 1989 Chevrolets produced for fleet, is now running at 64.6 percent on the 1990 models. Cruise control is up from 44.2 percent to 53.6 percent. Intermittent wipers have jumped from 45.9 percent to 87.6 percent of the fleet Chevrolets being produced. Tilt wheel and cruise control were equipped in 71 percent of the 1989 Dodge Dynastys ordered by commercial fleets. This year it is on 92 percent of the 1990 models. Similarly, about three-quarters of Ford's cars have tilt and 73 percent have cruise control, while intermittent wipers are on 96 percent of the Ford units produced for fleets.

The fleet manager's task is to recognize which options are commonplace today (the absence of which will impact resale value), and to watch for developing trends (e.g., ABS or airbags) because these options might directly affect resale two to three years from now.

The bottom line is holding cost — the net cost of the vehicle over its service life. Far more important than acquisition cost, holding cost indicates how well the fleet manager is performing, balancing what equipment is needed to do the job against what will ultimately enhance the net return on the investment. Consequently, if the retail market is evolving to expect certain options as "standard" on used cars and trucks, fleets can enhance resale by anticipating buyer expectations.

Conclusion

Option packages are here to stay. Their utility has been proven — at least to manufacturers–and so a return to unrestricted free flow is unlikely.

Fleets need to recognize the opportunities and to make packaging work to their advantage. That requires a candid assessment of the real effects of packaging.

- Packages are not always "bargains." Consequently, the cost of equipment must be analyzed in detail. In many cases, free-flow ordering may be available at lower cost.
- Packages sometimes force higher equipment levels on a fleet. This may not be altogether negative, especially when it results in fleet vehicles that conform closely to what's desirable in the retail used-vehicle market. The retail market arbitrates used-vehicle values, so it pays to watch for developing option trends, and to adjust the company selector to include potential resale enhancers.
- Collectively, fleets possess tremendous purchasing power, which can influence manufacturers to design reasonable, useful equipment combinations and to achieve stable content and pricing. AF

Company Car Preferred by 78 Percent of Fleet Users

Financial feasibility and ease of maintenance were the main reasons given by fleet drivers, fleet managers, and sales managers as to why they prefer company-provided vehicles over employee-provided cars.

In a recent fleet industry study, the overwhelming percentage of surveyed drivers, fleet managers, and sales managers said a company-provided program — rather than an employee-provided program — is the preferred means for acquiring and maintaining a business car.

The two primary reasons for this perceived benefit were the minimal out-of-pocket expenses to employees and the overall "ease" for an employee to acquire and operate a business car.

The study was conducted by the Automotive Research Group of Maritz Marketing Research, Toledo, OH, for the National Association of Fleet Administrators' Foundation. The survey data was collected by conducting 463 telephone interviews.

The study set out to quantify the relative benefits of having companies provide business cars for sales and service employees as opposed to reimbursing them for using their personal cars on company business. Four groups were surveyed:

1. Fleet managers.
2. Sales managers.
3. Drivers currently in employee-provided programs.
4. Drivers currently in company-provided programs.

Program Preference

	Prefer company-provided program %	*Prefer employee-provided program* %	*No preference* %	*Sample size*
Total Managers	92	6	2	(233)
Fleet Managers	90	9	1	(125)
Sales Managers	92	4	4	(108)
Total Drivers	65	34	1	(230)
Company-provided program	83	17	0	(105)
Employee-provided program	50	48	2	(125)
Income : $40,000 or less	61	39	0	(71)
$40,001 – $60,000	69	29	2	(66)
$60,001 or more	56	42	2	(64)
Grand Total	78	20	2	(463)

Table 1.

More than 90 percent of fleet and sales managers chose a company-provided program (Table 1). When asked which program they would pick *for themselves*, the majority from both groups selected the company-provided program because it was financially less burdensome for the employee. In addition, specific expenses such as insurance and maintenance were usually mentioned as factors (Table 2).

When describing the benefits of a company-provided program, managers frequently used the phrase "easier on employees." According to the survey, this observation reflects the convenience of using a company car, as opposed to the business use of a personal car.

Sales managers, in particular, appear more sensitive to the cost and effort accompanying vehicle maintenance; 38 percent cited maintenance, as compared to 18 percent of fleet managers. Conversely, fleet managers appeared more sensitive to subject of employee "ease" as indicated in Table 2.

When presented with the option

Frequently Mentioned Reasons For Preferring *Company*-Provided Programs

	Fleet Managers %	*Sales Managers* %	*Drivers – by current program* *Company provided* %	*Employee provided* %
Financially more feasible to employees	53	49	36	53
Company takes care of maintenance	18	38	51	8
Company covers insurance	35	33	14	13
Easier on employees	27	12	21	13
Company takes care of expenses	21	13	11	31
Saves wear and tear on personal car	4	3	12	8
Sample size	**(125)**	**(108)**	**(105)**	**(125)**

Table 2.

to select car programs for their own use, drivers chose company-provided programs over employee-provided programs by a ratio of two-to-one. There were significant differences, however, between the responses of drivers currently providing their own cars and those driving company cars.

Clearly, drivers in company-provided programs prefer to retain them. But those now in employee-provided programs would be just as likely to choose one program as the other. As the data in Table 1 indicates, one-half of the drivers currently in employee-provided programs would switch to a company-provided program if given the opportunity.

When asked why they would prefer a company car, drivers mentioned financial reasons most often, citing wear and tear on their personal car, insurance and maintenance. Again, the "easier on employees" rationale was frequently volunteered as the basis for their preference.

Multiple reasons were given by drivers who preferred the employee provision. The favorite reason (Table 3) was the driver's choice of vehicle which, presumably, is perceived as limited in a company-provided program.

There was also variation among drivers' responses to questions of preference on company- and employee-provided vehicles when their answers were compared on the basis of personal annual income (Table 1). For purposes of analysis, drivers were grouped in categories of low, medium, and high income. Regardless of income, however, most drivers preferred the company provision. But the extent of their preference was inconsistent. High earners were more likely than others to prefer an employee-provided program; low earners were a close second when similarly ranked. Reasons for this preference among high earners were personal choice of vehicle and flexibility of personal use.

Low earners also cited personal choice of vehicle, but added their

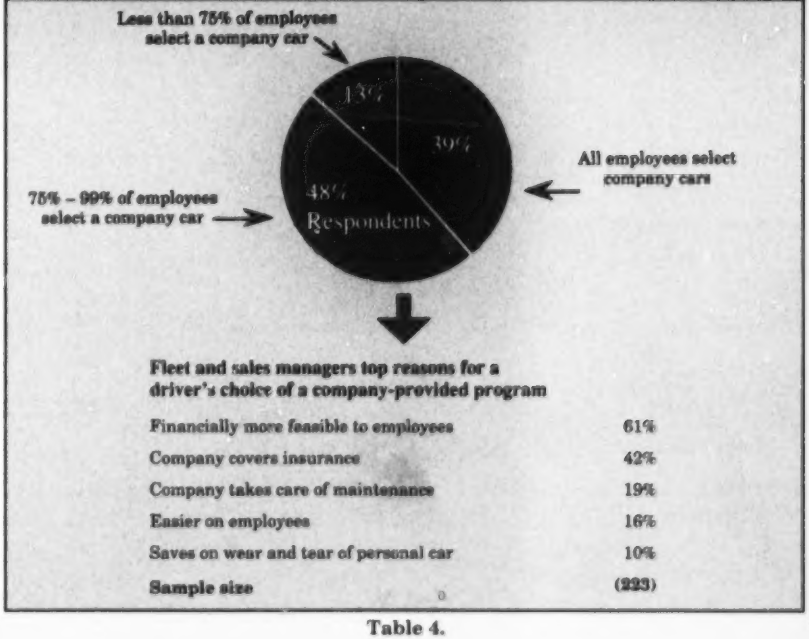
Frequently Mentioned Reasons For Prefering *Employee*-Provided Programs

	Drivers of employee-provided cars %
Benefit of choosing what I want	73
Don't like to be accountable for car	12
Available at all times/private use	10
Take better care of own car	10
A better tax advantage	10
Sample size	**(125)**

**Note: Other respondent groups not shown due to insufficient numbers preferring employee-provided program*

Table 3.

Program Preference When Employee Is Given Choice — Includes 14 Percent Of Companies With Fleet Operations



Fleet and sales managers top reasons for a driver's choice of a company-provided program

Financially more feasible to employees	61%
Company covers insurance	42%
Company takes care of maintenance	19%
Easier on employees	16%
Saves on wear and tear of personal car	10%
Sample size	**(223)**

Table 4.

Perceived Benefits of *Company*-Provided vs. *Employee*-Provided Programs

	Fleet Managers			Sales Managers			Drivers currently in company-provided program			Drivers currently in employee-provided program		
	Greater benefit with . . .			Greater benefit with . . .			Greater benefit with . . .			Greater benefit with . . .		
	Company provided program	Employee provided program	No answer	Company provided program	Employee provided program	No answer	Company provided program	Employee provided program	No answer	Company provided program	Employee provided program	No answer
	%	%	%	%	%	%	%	%	%	%	%	%
Perceived Benefits												
Company's image	92	5	3	94	4	2	89	9	2	66	21	13
Company's ability to hire and retain qualified people	90	3	7	94	4	2	87	5	8	69	14	17
Employee motivation	82	9	9	88	9	3	80	10	10	65	20	15
Providing appropriate vehicle	95	3	2	93	6	1	71	24	5	50	39	11
Reducing employee out-of-pocket costs	91	7	2	93	4	3	90	8	2	71	20	9
Allow the employee to choose a personal preference for a vehicle	40	48	12	53	40	7	28	67	5	22	70	8
The individual employee's prestige and image	72	22	6	69	26	5	53	41	6	39	47	14
Driver ease of replacing the vehicle	81	16	3	80	14	6	77	21	2	55	38	7
The proper maintenance of vehicle	82	11	7	86	11	3	74	17	9	34	52	14
The employee's pride in ownership	39	51	10	48	45	7	22	69	9	15	74	11
The employee's overall performance on the job	74	8	18	76	10	14	64	15	21	36	33	31
The overall efficient use of time with the vehicle	72	13	15	76	13	11	60	19	21	23	48	29
The quality of service to customers	69	4	27	81	3	16	64	11	25	35	26	39
The appropriate amount of personal usage of the car	50	40	10	60	19	21	38	47	15	22	66	12
Using the appropriate type of business travel	69	8	23	74	7	19	67	15	18	58	18	24
The cleanliness and overall appearance of the car	62	28	10	70	25	5	48	38	14	27	55	18
The amount of employee time spent on business car matters	77	12	11	79	14	7	70	19	11	45	37	18
The company's achievement of its objectives	87	5	8	93	1	6	79	7	14	47	26	27
The employee perception of equitable sharing of costs	80	11	9	81	15	4	80	14	6	59	29	12
Reducing overall costs to the company	75	20	5	91	7	2	53	36	11	32	59	9

Table 5.

belief that a vehicle is better maintained and cared for when employee-owned.

Current Fleet Operations

Few companies give employees a choice of programs, but if a choice is offered, most drivers choose a company-provided program.

About 14 percent of the companies with fleets offer employees a choice between using a company car or their personal car. Among those companies which offer a choice, the vast majority (87 percent) report that at least 75 percent of their drivers have chosen the company-car program (Table 4).

Asked why their drivers prefer a company-provided program, fleet and sales managers frequently cited employee out-of-pocket costs and the "ease" with which the employee acquires and operates the car.

Sales managers, in particular, said drivers would be attracted to the company-provided program because of reduced maintenance costs and related concerns, and the elimination of wear and tear on their personal car. Fleet managers emphasized that company-provided programs tend to be "easier on the employee."

Company- vs. Employee-Provided

Fleet managers, sales managers, and drivers agree that the company

provision offers the greatest benefit to both the company and the employee. Most respondents said a company-provided program would meet 85 percent of their personal and business needs. Even drivers who are currently in an employee-provided program feel that a company-provided car would prove more beneficial for them most of the time.

Respondents also evaluated which business car program — either company-provided or employee-provided — would offer the greatest benefit with respect to 20 factors. (See Table 5.) The respondents were asked to decide which program was most beneficial in each case. According to the results, company-provided cars were found to be better in most instances.

Fleet managers, sales managers, and drivers feel company-provided cars offer a greater benefit than an employee-provided program with respect to these 20 factors.

Only one of the 20 factors — appropriate amount of personal usage — placed overall driver opinion in opposition with overall fleet and sales manager opinion. Both managerial groups indicated that a company-provided program offers the greatest benefit for this factor. But both groups of drivers believe an employee-provided program would ensure the most appropriate amount of personal use.

Summarizing the 20 stated factors, the study found that fleet and sales managers respond almost uniformly in support of a company-provided program. Drivers, while favoring the company provision overall, have occasional differences of perception based upon the type of program they are involved in (Table 5).

Methodology

Conducted by the Automotive Research Group of Maritz Marketing Research for the NAFA Foundation, survey data was collected through 463 telephone interviews averaging nine minutes apiece.

The survey sampling represents a cross-section of those professions directly affected by and most familiar with the use of vehicles for company business. The survey focused on questions about perceptions of differences between company-provided and employee-provided programs for supplying business cars.

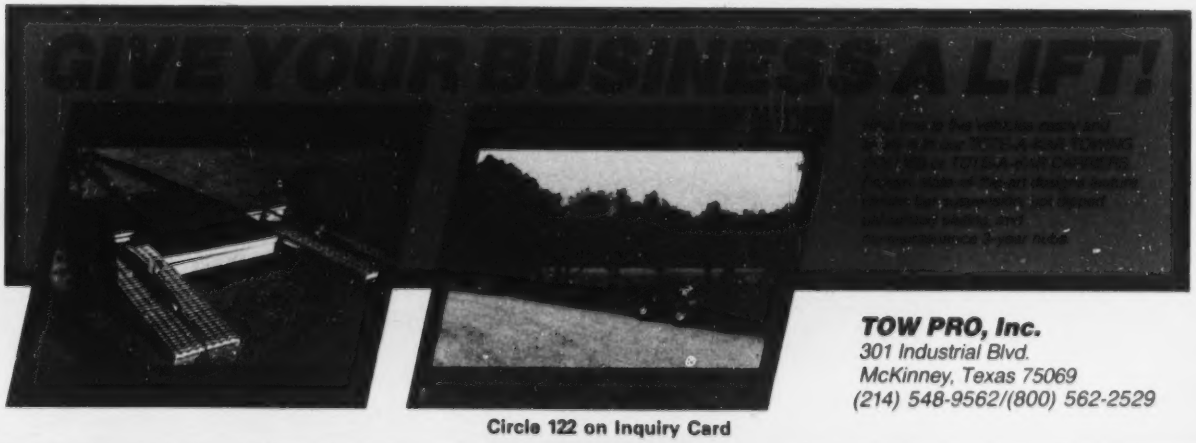
In all cases, questions were in reference to sales and service usage of vehicles; no questions were asked in reference to executive vehicle programs.

Interesting differences also surface when drivers' opinions are compared based upon which program they would prefer for themselves, if given the choice. As indicated in Table 1, 65 percent of all drivers would prefer a company-provided program, while 34 percent would choose an employee-provided program.

A comparison of the two driver groups reveals that although about one-third prefer an employee-provided program, this same group indicates that a company-provided program would be equally or more beneficial on almost half of the 20 factors they evaluated in Table 5. Drivers preferring a company-provided program felt that a company car best served the majority of relevant business and personal needs; so their overall program decision was relatively easy.

Drivers preferring an employee-provided program, on the other hand, perceived neither program to be overwhelmingly superior in a factor-by-factor evaluation. While those drivers who liked using their own cars saw the advantage in company-provided programs, only a few image factors — prestige, pride, choice, and vehicle appearance—scored well with them.

The findings are further supported when comparing the opinions of drivers currently in an employee-provided program versus those in a company-provided program. As Table 5 indicates, the opinions of drivers of the two programs differ on issues primarily related to personal and vehicle appearance. In addition, each driver group believes their current program is best for reducing costs to the company. AF



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Circle 122 on Inquiry Card

Survey Shows Consumer Leasing Is Making Gains

Research by an independent consultant shows consumer leasing is gaining in appeal at dealerships, but two-thirds of the surveyed dealers term their sales staff "seriously deficient" in leasing knowledge.

A national survey of 407 retail automobile dealers, representing 1,092 franchises, indicates automobile leasing is facing a bright future — with its prospects getting better all the time.

The survey, conducted by Coastal NW/Market Research, Bandon, OR, asked respondents 14 questions focusing on such topics as a dealer's knowledge of leasing, customer satisfaction, repeat lessees, and market growth.

Leasing Predicted to Rise

Surveyed dealers predicted that retail leasing will increase as new car purchase prices escalate and as consumers gain more financial savvy about the benefits of leasing.

Dealers reported that once a consumer leases a car or truck that 75.7 percent return for a second lease. Among second-time lessees, including those who select middle and lower-priced automobiles, an impressive 90 percent lease another

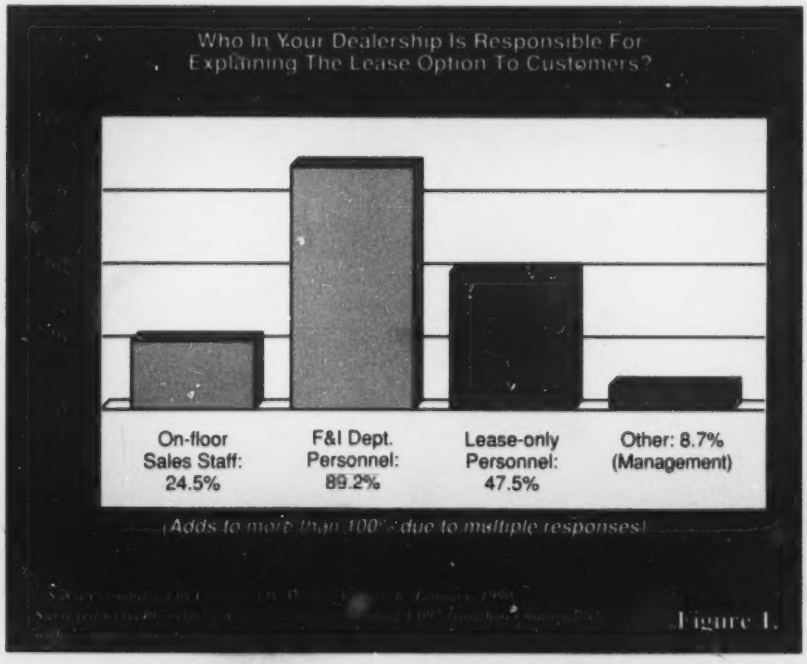


Figure 1.

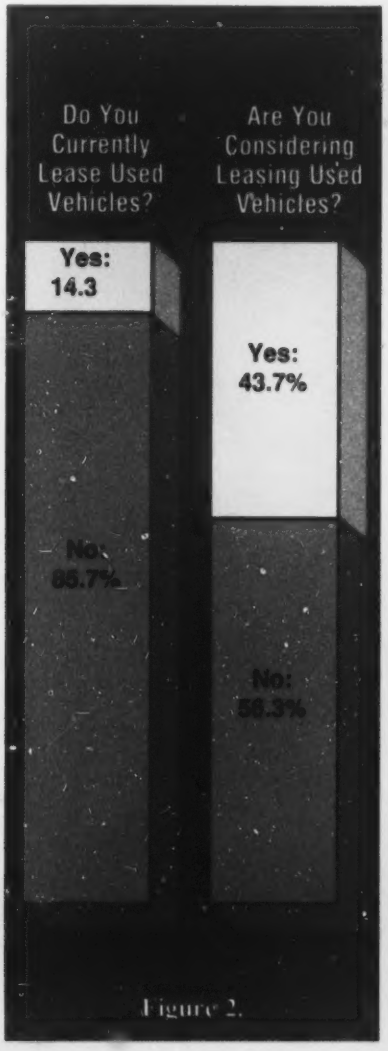


Figure 2.

vehicle.

While Hyundai and some other dealers are taking the tack that a customer can substantially lower monthly payments through leasing, the survey shows dealers elect to use the lease/option method as a way of moving people into higher-priced models at nearly the same monthly payment.

With respect to repeat leases, surveyed dealers indicated that 56 percent of repeat leases are for compacts and 64 percent are for intermediates.

Leasing Benefits

When looking at those customers who have converted from purchase to lease by dealership staffs, the survey showed that monthly lease terms are only 7.7 percent less than the amount of monthly payments that customers had anticipated making if they had purchased the vehicle.

Since the identical vehicle leases for a minimum of 20 percent less than if it were purchased on credit, the indication is that consumers are being put into higher-priced models, according to an NW Market Research spokesperson.

The vast majority of off-lease vehicles were rated as being in "better condition" than used cars traded in on new car purchases.

Retention Varies

Among survey respondents, there was a wide variation as to retention by dealers of off-lease vehicles for used-car operations: only 2.3 percent retained all the vehicles; 24.9 percent retained most vehicles; 61.3 percent retained some; and 11.5 percent disposed of all vehicles.

In connection with questions

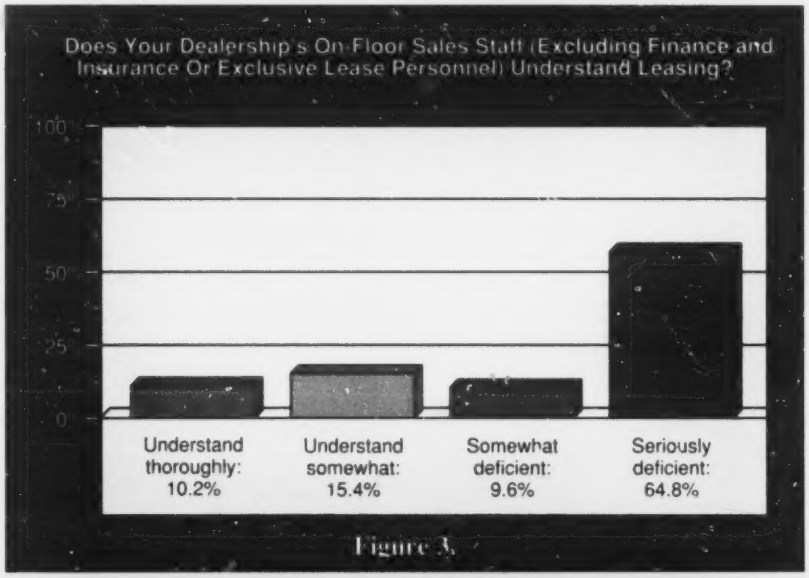


Figure 3.

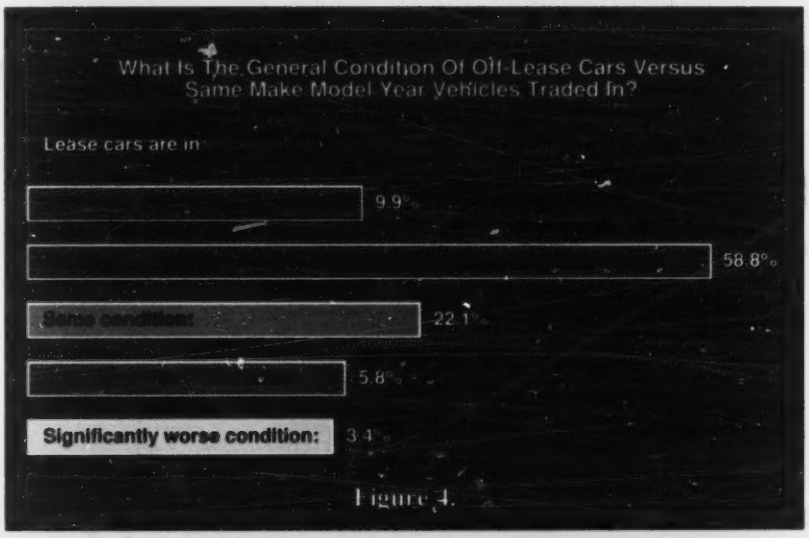


Figure 4.

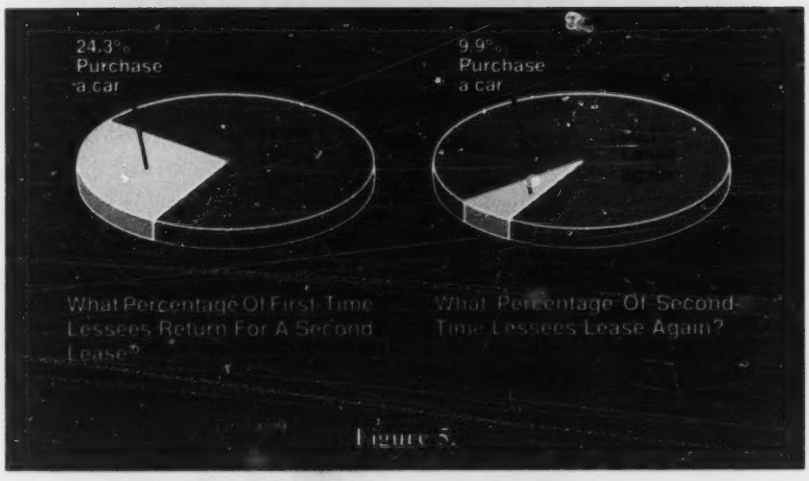


Figure 5.

about returned off-lease vehicles, 14.3 percent of the respondents said they leased used vehicles, and 43.7 percent indicated they are considering leasing used vehicles.

The vast majority of those off-lease vehicles were rated as being in "better condition" than used cars traded in on new car purchases. Only 9.2 percent of the off-lease vehicles were rated as being in substandard condition.

Disposal Has Become Easier

With the projected increase in leasing popularity, the matter of disposing of the cars assumes greater importance, the survey said. More than 80 percent of the dealers interviewed said disposal of consumer-lease vehicles has become easier, mostly because auto wholesale companies, auctions, and financial institutions have developed off-lease programs.

Dealers predicted that retail leasing will increase as new car prices escalate and consumers gain more financial savvy.

Many dealers welcome such disposal plans. And yet, the NW Market Research spokesperson said it is apparent from the responses that the better-than-average condition of end-of-term (EOT) vehicles is prompting many dealers to reexamine their plans and consider whether retention for their used-vehicle business might be to their advantage.

Leasing Staffs Deficient

Here are some other findings:

• Training of leasing personnel is lacking. Nearly two-thirds of dealers term their sales staffs "seriously deficient" in leasing knowledge.

• Leasing explanations to customers are usually handled by finance and insurance specialists (89 percent of the time) instead of sales personnel.

• Fewer than half of dealerships delegate leasing explanations to sales people.

Aside from usual EOT charges, dealers also showed concern that reduced mileage limits could negatively impact their customer satisfaction index ratings. As a practical matter, the reduced mileage limits could cause monthly lease payments to escalate, placing lessors in the same price spiral that new car sales dealers are caught in. Should that develop, an NW/Market Research spokesperson said the growth rate of leasing would certainly slow. AF

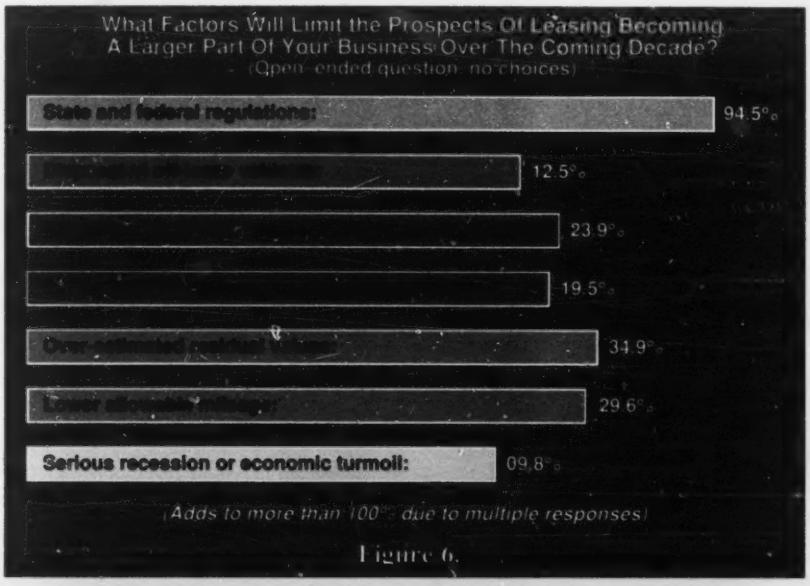


Figure 6.

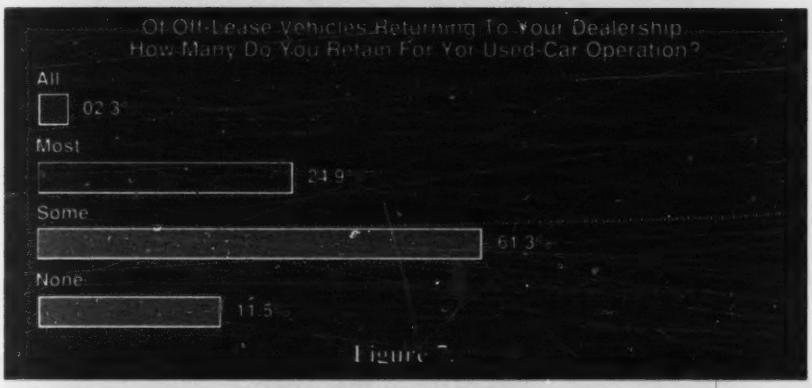


Figure 7.

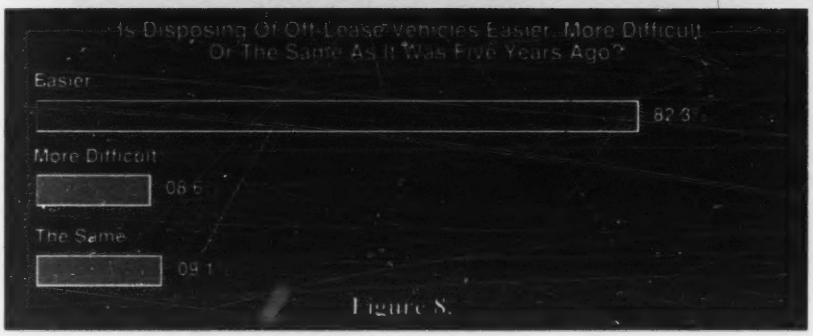


Figure 8.

USED CAR PRICES

The following are average used-car prices for the period ending April 1, 1990. Prices are based on wholesale activity at major dealers across the country. They are divided into three zones as indicated on the accompanying map. These averages are calculated electronically. They are based on clean cars only. Proper allowance should be made for upgrading sharp cars and proper deduction taken for fair cars. Automatic transmissions have been included in the averages of all models. This information is published in *Automotive Fleet* by special permission of *Automotive Market Report*.

	Zone 1	Zone 2	Zone 3
88 BUICK SKYHAWK			
Coupe	5,416	5,467	5,306
Sedan	5,490	5,544	5,384
87 BUICK SKYHAWK			
Cust Coupe	4,391	4,433	4,301
Cust Sedan	4,459	4,501	4,368
88 BUICK SKYLARK			
Cust Sedan	6,510	6,578	6,382
88 BUICK CENTURY			
Cust Sedan	6,465	6,533	6,339
87 BUICK CENTURY			
Cust Sedan	5,392	5,446	5,283
88 BUICK LESABRE			
Cust Sedan	8,418	8,502	8,251
87 BUICK LESABRE			
Cust Sedan	7,040	7,112	6,900
88 CADILLAC DE VILLE			
Coupe	13,969	14,107	13,687
Sedan	14,131	14,272	13,849
87 CADILLAC DE VILLE			
Coupe	11,199	11,314	10,979
Sedan	11,339	11,453	11,111
88 CADILLAC SEVILLE			
Sedan	14,861	15,010	14,565
87 CADILLAC SEVILLE			
Sedan	12,247	12,371	12,005
88 CHEVY BERETTA			
Coupe	6,306	6,369	6,182
88 CHEVY CORSICA			
Sedan	5,917	5,979	5,802
87 CHEVY BERETTA			
Coupe	4,939	4,989	4,842
87 CHEVY CORSICA			
Sedan	4,554	4,602	4,464
88 CHEVY CAVALIER			
Sedan	5,266	5,320	5,161
87 CHEVY CAVALIER			
Sedan	4,007	4,048	3,928
88 CHEVY CELEBRITY			
Sedan	6,068	6,130	5,947
87 CHEVY CELEBRITY			
Sedan	4,835	4,883	4,740
88 CHEVY CAPRICE			
Sedan	6,827	6,894	6,691
87 CHEVY CAPRICE			
Sedan	5,541	5,594	5,427
88 CHRYSLER NEW YORKER			
Sedan	9,892	9,992	9,695
87 CHRYSLER NEW YORKER			
Sedan	6,968	7,035	6,826
88 CHRYSLER FIFTH AVENUE			
Sedan	9,655	9,751	9,464
87 CHRYSLER FIFTH AVENUE			
Sedan	7,607	7,681	7,454
88 DODGE ARIES			
Sedan	4,795	4,841	4,699
87 DODGE ARIES			
Sedan	3,798	3,836	3,721
88 DODGE SHADOW			
Liftbk 5 Dr	5,120	5,172	5,020
87 DODGE SHADOW			
Liftbk 4 Dr	4,193	4,236	4,107
88 DODGE DYNASTY			
Sedan	7,712	7,791	7,557
88 FORD ESCORT			
Htchbk 4 Dr GL	4,340	4,384	4,253
87 FORD ESCORT			
Htchbk 4 Dr GL	3,384	3,419	3,316
88 FORD MUSTANG			
LX-4 Coupe	5,931	5,992	5,812
87 FORD MUSTANG			
LX-4 Coupe	4,820	4,869	4,727
88 FORD TEMPO			
GL Sedan 4 Dr	5,294	5,347	5,186
87 FORD TEMPO			
GL Sedan 4 Dr	4,190	4,234	4,106
88 FORD TAURUS			
GL Sedan 4 Dr	6,293	6,357	6,168
87 FORD TAURUS			
GL Sedan 4 Dr	5,196	5,245	5,091
88 FORD CROWN VICTORIA			
Sedan	9,034	9,123	8,853
87 FORD CROWN VICTORIA			
Sedan	7,505	7,581	7,355
88 THUNDERBIRD			
Coupe	8,038	8,118	7,876
88 LINCOLN			
Town Car Sedan	13,771	13,911	13,495
Mark VII Coupe	15,236	15,387	14,931
Continental Sedan	16,787	16,954	16,452
87 LINCOLN			
Town Car Sedan	11,411	11,523	11,182
Mark VII Coupe	12,162	12,284	11,919
Continental Sedan	12,271	12,395	12,027
88 MAZDA 626			
LX Sedan 4 Dr	8,100	8,180	7,939
88 MERCURY COUGAR			
LS Coupe	8,471	8,556	8,301
87 MERCURY COUGAR			
LS Coupe	7,038	7,108	6,897
88 MERCURY TOPAZ			
GS Sedan 4 Dr	5,379	5,431	5,270
87 MERCURY TOPAZ			
GS Sedan 4 Dr	4,199	4,242	4,115
88 MERCURY SABLE			
GS Sedan	6,953	7,021	6,812
87 MERCURY SABLE			
GS Sedan	5,662	5,721	5,550
88 MERCURY GRAND MARQUIS			
Sedan	9,615	9,712	9,423
87 MERCURY GRAND MARQUIS			
Sedan	8,107	8,186	7,943
88 MITSUBISHI MIRAGE			
Mirage Sedan	4,350	4,394	4,263
87 MITSUBISHI MIRAGE			
Mirage Sedan	3,127	3,158	3,064
88 NISSAN SENTRA			
Sedan 2 Dr	4,165	4,207	4,082
88 NISSAN STANZA			
E Ntch 4 Dr	6,727	6,794	6,592
88 NISSAN MAXIMA			
SE Sedan	10,637	10,743	10,424
87 NISSAN SENTRA			
Sedan 2 Dr	3,409	3,442	3,340
87 NISSAN STANZA			
E Ntch 4 Dr	5,461	5,515	5,352
87 NISSAN MAXIMA			
SE Sedan	8,264	8,348	8,097
88 OLDS CALAIS			
Sedan	6,438	6,500	6,310
87 OLDS CALAIS			
Sedan	5,439	5,491	5,329
88 OLDS CIERA			
Coupe	6,398	6,461	6,270
Sedan	6,465	6,533	6,339
87 OLDS CIERA			
S Coupe	5,379	5,431	5,269
Sedan	5,439	5,493	5,331
88 OLDS CUTLASS SUPREME			
Coupe	7,473	7,550	7,325
87 OLDS CUTLASS SUPREME			
Coupe	6,290	6,355	6,164
Sedan	6,290	6,355	6,164
88 OLDS 98 REGENCY			
Sedan	9,944	10,041	9,743
87 OLDS 98 REGENCY			
Sedan	8,250	8,333	8,085
88 PLYMOUTH RELIANT			
Sedan	4,819	4,867	4,725
87 PLYMOUTH RELIANT			
Sedan	3,815	3,853	3,742
88 PLYMOUTH SUNDANCE			
Liftbk 4 Dr	5,116	5,168	5,016
87 PLYMOUTH SUNDANCE			
Liftbk 4 Dr	4,175	4,217	4,088
88 PLYMOUTH GRAN FURY			
Salon Sedan	5,189	5,241	5,083
88 PONTIAC SUNBIRD			
SE Coupe	5,371	5,426	5,262
Sedan	5,443	5,495	5,335
87 PONTIAC SUNBIRD			
SE Coupe	4,230	4,273	4,146
Sedan	5,198	5,249	5,096
88 PONTIAC 6000			
Coupe	6,136	6,198	6,015
Sedan	6,205	6,266	6,079
87 PONTIAC 6000			
Coupe	4,941	4,990	4,842
Sedan	4,998	5,049	4,899
88 PONTIAC GRAND AM			
Sedan	6,420	6,484	6,289
87 PONTIAC GRAND AM			
Sedan	5,670	5,727	5,557
88 PONTIAC BONNEVILLE			
Sedan	8,440	8,526	8,272
87 PONTIAC BONNEVILLE			
Sedan	7,098	7,168	6,956
88 PONTIAC GRAND PRIX			
Coupe	7,787	7,866	7,636
87 PONTIAC GRAND PRIX			
Coupe	6,429	6,492	6,300
88 TOYOTA COROLLA			
Sedan 4 Dr Deluxe	6,266	6,329	6,141
88 TOYOTA CAMRY			
Sedan 4 Dr Deluxe	8,168	8,248	8,005
88 TOYOTA CRESSIDA			
Lux Sedan	12,704	12,830	12,451
87 TOYOTA COROLLA			
Sedan 4 Dr Deluxe	4,854	4,903	4,758
87 TOYOTA CAMRY			
Sedan 4 Dr Deluxe	6,967	7,036	6,826
87 TOYOTA CRESSIDA			
Lux Sedan	10,449	10,554	10,240
88 VOLKSWAGEN JETTA			
Sedan 4 Dr	6,633	6,699	6,500
87 VOLKSWAGEN JETTA			
Sedan 4 Dr	5,325	5,379	5,218
88 VOLVO			
240 DL Sedan	11,548	11,662	11,317
87 VOLVO			
240 DL Sedan	9,476	9,572	9,287

PRODUCTS

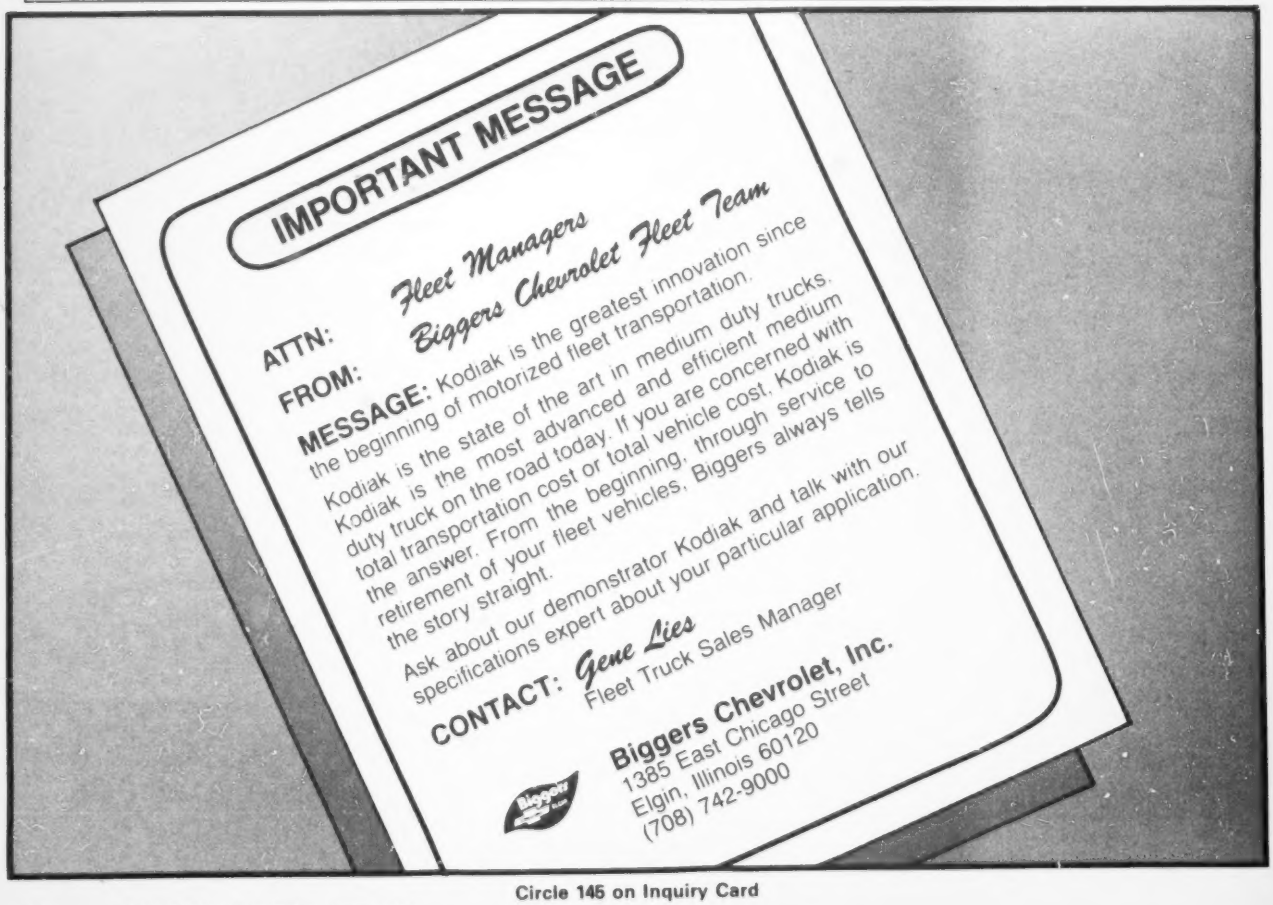
amps) neatly housed in one standard-sized battery case. A quick, quarter turn on the yellow control dial on top of the battery turns on the extra booster battery. A distinctive "click" indicates that the Interstate X2 Booster battery is engaged. The X2 Booster is easy to install and safe to use. It's powerful enough to simplify any driver's problems, such as dead batteries and cold weather. *Interstate Battery System of America.*

Circle 213 on Inquiry Card

GAS PRICES

City	UNLEADED GAS Cost Per Gallon Full-Serve	Self-Serve
Mobile, AL	141.6 ¢	104.7 ¢
Whittier, CA	140.6	97.2
Jacksonville, FL	148.2	101.9
Augusta, GA	133.4	94.4
Chicago, IL	152.9	118.6
Grand Rapids, MI	126.4	104.4
Bismarck, ND	141.9	115.9
Santa Fe, NM	135.9	111.6
Oklahoma City, OK	134.2	101.9
Union Town, PA	117.0	93.9
Spartanburg, SC	126.4	96.9
San Antonio, TX	131.6	98.9
Ogden, UT	109.4	95.4
Tacoma, WA	155.6	104.9

The average U.S. full-serve gasoline price for the month of May was 128.9 cents per gallon.
The average U.S. self-serve gasoline price for the month of May was 106.7 cents per gallon.
Survey conducted during the first five working days of May 1990.
Supplied by Runzheimer International, Runzheimer Park, Rochester, WI.



Circle 145 on Inquiry Card